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July 18, 2003

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
9300 East Hampton Drive
Capitol Heights, MD 20743

Via Federal Express

Dear Federal Communications Commission:

Please find enclosed Petition for Review filed on behalf of LoTel, Inc. I have included an additional four (4) copies of the Petition, Exhibits and a Certificate of Service. Please contact our office should there be any questions.

In accordance with the Second Report and Order and further Notice of Proposed Rulemaking Adopted April 23, 2003 in Docket 02-6, FCC 03-101, we have placed Docket Number 02-6 on the Petition. If this is not correct, please advise at once.

Respectfully,

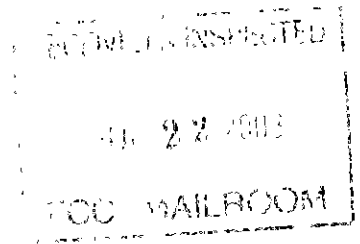
Lawrence M. Brenton

LMB/tlb

cc D. Scott Barash, Esq.

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D C 20554



In the Matter of)
)
Request for Review by LoTel, Inc) Docket No 02-6
d/b/a Coordinated Billing, of Decision)
of Universal Service Administrator)

To The Commission

PETITION FOR REVIEW

LOTEL, INC.
D/B/A COORDINATED BILLING

David G Crocker
Lawrence M. Brenton

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Its Counsel

July 18, 2003

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I. SUMMARY

LoTel, Inc. d/b/a Coordinated Billing ("LoTel"), by its counsel, hereby requests that the Commission review *de novo* the attached Decision (Exhibit A) of the Universal Service Administrative Company ("USAC") pursuant to 47 C.F.R. § 54.719 through 47 C.F.R. § 54.725. By an initial letter of September 12, 2001 (Exhibit B, the enclosed 2001 499-A form and instructions are omitted) rejecting the duly filed 2001 499-A form and its May 22, 2003 Decision, USAC refuses to accept LoTel's 2001 form 499-A. This action is contrary to the USAC Form 499 Instructions, beyond USAC's authority delegated it by the Commission and contrary to Petitioner's contractual agreements with its underlying carrier, QAI, Inc. As a consequence, USAC has wrongfully billed LoTel Universal Service Fund charges by invoices issued during the months of January through June, 2001. By this Petition, LoTel urges the Commission to reverse these actions of USAC and determine that QAI, Inc. rather than LoTel is liable for such charges and all related interest and late charges.

All factual assertions herein are supported by the attached documentation and Petitioner's Declaration.

II. BACKGROUND

As can be seen by the USAC letter rejecting LoTel's 2001 form 499-A filing (Exhibit B) this matter is one of five virtually identical proceedings involving five carriers.¹ Each of the five

¹ The carriers are Inmark, Inc. d/b/a Preferred Billing, American Cyber Corp, Coleman Enterprises, Inc., LoTel, Inc. d/b/a Coordinated Billing and Protel Advantage d/b/a Long Distance Service. Petitions for Review for all five carriers are being filed simultaneously with the Commission. The major circumstance differentiating the five carriers is the bankruptcy filings by Coleman Enterprises and American Cyber, each of which filed Chapter 11 proceedings. In addition, it appears that with regard to American Cyber, QAI did not pay USAC invoices for some extensive period of time in the year 2000, as its monthly invoices during the first six months of 2001 totaled less than \$30,000.00 each, exclusive of late payment penalties, but its balance as invoiced by USAC in June 2001 totaled approximately \$420,000.00.

carriers was, in calendar year 2000, a reseller of long distance telecommunication services. Each contracted with QAI, Inc., for wholesale provision of underlying long distance service. Wholesale service was provided pursuant to contract (Exhibit C) by which QAI provided underlying long distance service and billing and collection, payment of all expenses associated with the provision of services, expressly including Universal Service Fund charges and payment to the reselling carrier of net proceeds after collection of a commission by QAI.

In practice, there was virtually never a "margin" or funds available for payment to the reseller after payment of expenses and its commission, according to the methodology by which QAI calculated expenses associated with the provision of services. In practice, virtually the only funds paid by QAI to the resellers consisted of what QAI deemed to be "optional" advances made pursuant to the contract, which QAI evidently then booked as loans to the resellers.

The contractual agreements and course of dealing between the parties clearly established that QAI billed for, collected and reserved Universal Service Fund Charges in 2000 and was obligated to pay such charges when invoiced for them by USAC through June of 2001. These contracts and this course of dealing were consistent with USAC instructions, which clearly provide that every wholesaler of services must report on its own account and therefore pay all Universal Service Fund charges generated by revenues attributable to resellers in the absence of documentation establishing that the reseller is obligated to do so (Exhibit D, page 15 of 2001 499-A Instructions). The instructions for the September, 2000 499-S form and for the 2000 499-A form contain similar language, also included in Exhibit D. In this case, the parties agreed to exactly the opposite procedure, the wholesaler undertook the responsibility to bill for, collect and

pay Universal Service Fund obligations directly. There is no prohibition against carriers making such an agreement.

Each of the resellers received correspondence dated August of 2000, likewise confirming that QAI bore responsibility for payment of Universal Service Fund charges (Exhibit E). The ongoing relationship between QAI and each of the resellers became disrupted in November and December of 2000, when QAI engaged in a dispute with its underlying long distance provider, Sprint, resulting in termination of the provision of services and loss of a substantial portion of each reseller's customer base. In March of 2001, QAI requested of the three resellers not then in bankruptcy (Protel, LoTel and Inmark) that they assume responsibility for payment of Universal Service Fund charges (Exhibit E), which request was unequivocally refused (Exhibit F). Consistent with the contractual agreement of the parties, their course of dealing, and the 499-A instructions, each of the five resellers filed 2001 499-A forms (Exhibit G) explaining the obligation of QAI to report calendar year 2000 revenues and pay the resulting Universal Service Fund charges. These forms were rejected collectively by USAC, resulting in letters of appeal (Exhibit H). Undersigned counsel contacted USAC on several occasions to inquire about the status of these appeals. On May 22, 2003, USAC issued its Administrator's Decision on Contributor Appeal (Exhibit A), denying all appeals. LoTel requests *de novo* review and reversal of this Administrator's Decision.

III. ARGUMENT

A. Universal Service Administrative Company does not have authority to reject a signed and filed 499-A form

The Universal Service Administrative Company has not been granted the authority to reject 499-A forms. It has been granted the authority to audit forms, conduct inquiries and seek information but nowhere has it been granted the authority to receive a duly executed and completed form 499-A and choose to disregard it as it has done in this case. The Administrator has expressly been denied the authority to act in doubtful situations without first seeking Commission Guidance 47 C.F.R. § 54.702 (c). Rejecting filed 499 forms is clearly a power denied the Administrator.

Nor does the Administrator have the authority to reject a contractual arrangement between carriers whereby the wholesale carrier agrees to pay Universal Service Fund charges, as USAC purports to do in its Decision.

Further, such action violates USAC's own 499 Instructions.

The Instructions issued by the Universal Service Administrative Company for 499 reporting to have been given the force of regulations by the Commission. See, for example, In the Matter of Request for Review by ABC Cellular Corporation, DA 02-3474, Order adopted December 16, 2002. In addition to citation to numerous Instructions as authority, the Order further recognizes, in footnote 10, that by virtue of portions of the Instructions adopted in connection with the preparation of 499 forms, contractual agreements between carriers at least in situations involving the transfer of customers will be honored in terms of the allocation of responsibility for payment of Universal Service Fund charges.

In the present case, the Universal Service Administrative Company Decision on Contributor Appeal is based primarily if not exclusively on the Administrator's determination that the Instructions are not to be followed. Contrary to the express language of the Instructions, under the Decision the wholesale carrier is not to include on its report of end user revenues those revenues for which it expressly agreed with the reselling carrier it would collect and pay Universal Service Fund charges. Further, the agreement between the parties is disregarded.

If in fact the 499 Instructions do constitute regulations or at the very least reflect rules by which carriers may govern their operations, by what authority does the Administrator disregard not only the Instructions but also a contractual arrangement between a wholesale carrier and reseller expressly crafted to comply with the Instructions? The Petitioner submits that the Administrator has committed clear error by negating the contractual agreement between carriers and disregarding the Instructions.

In support of the Decision, the Administrator states (without citation of any authority) "This demonstrates why FCC regulations and USAC do not allow USF obligations to transfer to a third party." This crucial sentence ignores those portions of the Instructions which relate to the reporting obligation of wholesale carriers and reseller carriers. There is no attempt here to transfer an obligation; it originates with the wholesaler, QAI, and should stay there as agreed.

QAI is not merely some mysterious "third party" to which obligations are sought to be "transferred." By Instruction, QAI is the carrier responsible for reporting 499 revenues except in transactions in which it obtains from the reselling carrier confirmation and agreement to report 499 revenues and pay the resulting USF charges. In the present case, the carriers expressly

crafted their agreements to provide that the wholesale carrier, QAI, would collect and pay USF charges

The Administrator is perhaps also somewhat disingenuous in characterizing QAI as 'a third party, to whom USF obligations are being transferred' The Administrator directly billed QAI for USF obligations for a number of years It received and accepted payments from QAI. By means not revealed to Petitioner, the Administrator chose in 2001 to transfer billings, including substantial unpaid account balances, late payment charges and interest to Petitioner Had the Administrator instead followed its own Instructions as well as the contractual agreement between the carriers, it instead would have continued to bill QAI all of these charges through June of 2001

B. The Universal Service Fund Charges in Question are the Obligation of QAI and not LoTel

It is beyond dispute that under the agreement between the parties, QAI undertook responsibility as wholesaler to pay Universal Service Fund charges See Exhibit K. See Paragraph 2(a) and Schedule 2, paragraph 1(c) of Exhibit C. QAI also billed for and collected such charges. See Exhibit K This contractual arrangement is consistent with the Universal Service Administrative Company instructions, which provide that the wholesale provider of telecommunication services is obligated to pay *Universal Service Fund charges* in the absence of an agreement by the reseller to do so Here the agreement was exactly to the contrary and was again confirmed through the exchange of correspondence between QAI and three of the resellers in March of 2001, wherein QAI again confirmed *its obligation to pay Universal Service Fund charges* unless the resellers assume the obligation to do so, which they refused.

Because two of the resellers in question, American Cyber and Coleman Enterprises, filed bankruptcy proceedings, several documents have come to light in the course of those and continuing court proceedings which further confirm the obligation of QAI to pay the charges in question.

In the Deposition of David Wiegand taken October 25, 2002 (excerpt attached as Exhibit J), Mr. Wiegand confirmed his understanding that QAI was obligated to and in fact did pay Universal Service Fund charges, which it in turn billed to end user customers and reserved for payment of such charges.

In addition to the express terms of the carriers' agreements, fairness and equity require that the agreement between QAI and the resellers for apportionment of Universal Service Fund charges not be negated by USAC, for the reason that QAI in fact billed for and collected the funds to be used to pay the Universal Service Fund charges that appeared on invoices during the first six months of 2001.

Because QAI, without the knowledge or involvement of LoTel, caused services by Sprint to be disrupted, LoTel's customer base was nearly destroyed by the beginning of calendar year 2001, leaving it without revenues, reserves or simply the funds required to pay USAC invoices during the first six months of 2001. QAI, on the other hand, had billed for, collected and reserved those very funds.

In fairness and in equity and under the terms of the contractual agreement between QAI and the resellers and further, in compliance with the 499-A instructions, all Universal Service Fund obligations billed during the first six months of 2001, based as they were on calendar year

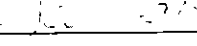
2000 activities, were and should be determined by the Commission to be the obligation of QAI and not of LoTel.

IV. CONCLUSION

Petitioner respectfully requests that on review, the Commission determine all universal service fund obligations charged it prior to July of 2001 including penalties, late charges and interest, be determined to be the obligation of QAI, Inc. and not petitioner.

Respectfully submitted,

LOTTEL, INC.
D/B/A COORDINATED BILLING

By: 
David G. Crocker
Lawrence M. Brenton
Early, Lennon, Crocker & Bartosiewicz, PLC
900 Comerica Building
Kalamazoo, MI 49007
(269) 381-8844

Its Counsel

July ____, 2003

LOTEL, INC. D/B/A COORDINATED BILLING

Exhibits to Petition for Review

Exhibit A	Administrator's Decision on Contributor Appeal
Exhibit B	USAC Letter Dated September 12, 2001
Exhibit C	QAI Contract with Petitioner
Exhibit D	Page 15 of 2001 499-A Instructions
Exhibit E	QAI Correspondence of August, 2000
Exhibit F	QAI Correspondence of March 26, 2001
Exhibit G	Reply to QAI Correspondence of March 26, 2001
Exhibit H	Petitioner's 2001 Form 499-A
Exhibit I	Letter of Appeal to Administrator USAC
Exhibit J	David Wiegand Deposition Testimony
Exhibit K	Declaration of Leon Orstad

EXHIBIT A

Administrator's Decision on Contributor Appeal



Universal Service Administrative Company

Administrator's Decision on Contributor Appeal

May 22, 2003

BY FEDERAL EXPRESS

Lawrence M. Brenton
Early, Lennon, Crocker & Bartosiewicz, P.L.C.
900 Comerica Building
Kalamazoo, MI 49007-4752

RE American Cyber Corp, Inmark, Inc ; Protel Advantage, Inc , LoTel, Inc.,
Coleman Enterprises, Inc (Filer IDs 819152, 814681, 809181, 819396,
808522)

Dear Mr. Brenton:

After thorough review, the Universal Service Administrative Company (USAC) has completed its evaluation of the Letters of Appeal (Appeals) on behalf of American Cyber Corp. d/b/a Discount Plus f/k/a Key Communications, Inmark, Inc. d/b/a Preferred Billing, Protel Advantage, Inc. d/b/a Long Distance Savings, LoTel, Inc. d/b/a Coordinated Billing Services, Coleman Enterprises, Inc. d/b/a Local Long Distance individually "Appellant", collectively, "Appellants") The Appeals address USAC's rejection of FCC Forms 499-A reporting zero revenue for the period January 1 - December 31, 2000.

Background

USAC received two timely submissions, each marked as "original", of Forms 499-A reporting 2000 annual revenue from Appellants. Because the forms were incomplete, USAC returned all original forms with an attached explanation worksheet requesting the forms be resubmitted. Appellants submitted revised Forms 499-A reporting zero interstate revenue for 2000 and included documents stating that a third party, QAI, Inc., had assumed responsibility for reporting revenue and paying charges on Appellant's behalf. USAC returned all revised Forms 499-A and included a rejection letter, dated September 12, 2001, which explained why Appellants are each responsible for reporting and paying an Universal Service Fund (USF) obligation. Further, USAC has no record of QAI assuming responsibility for reporting revenue and paying charges on behalf of Appellants.

Discussion Appellants' appeals must be denied. Appellants argue that USAC does not have "jurisdiction, authority or discretion to 'reject' or choose to ignore a properly filed form 499-A."

FCC regulations specifically require USAC to compare revenue information collected¹ and give USAC audit authority.² See C.F.R. §§ 54.702(f) and 54.707.

Documentation provided with the Appeals included correspondence between Appellants and QAI, Inc. that discusses what QAI Inc.'s obligations were with regard to filing of revenue reporting forms and at one point questions whether QAI had accurately reported revenue, or in fact reported revenue at all. This demonstrates why FCC regulations and USAC do not allow USF obligations to transfer to a third party. Appellants acknowledge in the Appeals that it would be improper for USAC to rely upon information provided by a third party.

The FCC approves all Forms 499-A and accompanying instructions. As stated in USAC's September 12, 2001 rejection letter, and on the FCC-approved instructions that accompanied the Form, each entity is required to report and contribute. In fact, FCC regulations refer specifically to information that a contributor must submit to USAC³ and

¹ (f) Pursuant to its responsibility for billing and collecting contributions, the Administrator shall compare periodically information collected by the administrator of the TRS Fund from TRS Fund Worksheets with information submitted by contributors on Universal Service Worksheets to verify the accuracy of information submitted on Universal Service Worksheets. When performing a comparison of contributor information as provided by this paragraph, the Administrator must undertake company-by-company comparisons for all entities filing Universal Service and TRS Fund Worksheets.

² Audit controls. The Administrator shall have authority to audit contributors and carriers reporting data to the administrator. The Administrator shall establish procedures to verify discounts, offsets, and support amounts provided by the universal service support programs, and may suspend or delay discounts, offsets, and support amounts provided by the universal service support programs, and may suspend or delay discounts, offsets, and support amounts provided to a carrier if the carrier fails to provide adequate verification of discounts, offsets, or support amounts provided upon reasonable request, or if directed by the Commission to do so. The Administrator shall not provide reimbursements, offsets or support amounts pursuant to part 36 and § 69.116 through 69.117 of this chapter, and subparts D, F, and G of this part to a carrier until the carrier has provided to the Administrator a true and correct copy of the decision of a state commission designating that carrier as an eligible telecommunications carrier in accordance with § 54.201.

³ Contributor reporting requirements. (a) Contributions shall be calculated and filed in accordance with the Universal Service Worksheet. The Telecommunications Reporting Worksheet sets forth information that the contributor must submit to the Administrator on a quarterly and annual basis. The Commission shall announce by Public Notice published in the FEDERAL REGISTER and on its website the manner of payment and dates by which payments must be made. An officer of the contributor must certify to the truth and accuracy of the Universal Service Worksheet, and the Commission or the Administrator may verify any information contained in the Universal Service Worksheet at the discretion of the Commission. The Administrator of the Telecommunications Relay Service Fund shall provide data reported on the Telecommunications Relay Service Worksheet to the Administrator so that the Administrator may verify information contained in the Universal Service Worksheet. Inaccurate or untruthful information contained in the Universal Service Worksheet may lead to prosecution under the criminal provisions of Title 18 of the United States Code. The Administrator shall advise the Commission of any enforcement issues that arise and provide any

direct USAC to either estimate or verify information in instances where revenue is not reported or is inaccurately reported ⁴ See C.F.R. §§ 54.711 & 54.713. While a third party may provide a service and file forms on another's behalf, the obligation to file the forms and the obligation to make payment to the USF remains the obligation of each entity. A third party does not assume the responsibility the obligation for payment for any of its resellers

USAC's review of Appellant's subsequently filed Forms 499 which report revenue for periods after 2000 show that Appellants continue to report interstate revenue. Yet the revised Forms 499-A reporting 2000 revenue that Appellant's filed reported \$0 interstate revenue. USAC has determined that Appellant's revised Forms 499-A reporting 2000 revenue were inaccurately submitted.

Decision on Appeal Denied.

USAC hereby denies Appellant's Appeal

suggested response

⁴ Contributors' failure to report or to contribute 54.713 Contributors' failure to report or to contribute. A contributor that fails to file a Telecommunications Reporting Worksheet and subsequently is billed by the Administrator shall pay the amount for which it is billed. The Administrator may bill a contributor a separate assessment for reasonable costs incurred because of that contributor's filing of an untruthful or inaccurate Telecommunications Reporting Worksheet, failure to file the Telecommunications Reporting Worksheet, or late payment of contributions. Failure to file the Telecommunications Reporting Worksheet or to submit required quarterly contributions may subject the contributor to the enforcement provisions of the Act and any other applicable law. The Administrator shall advise the Commission of any enforcement issues that arise and provide any suggested response. Once a contributor complies with the Telecommunications Reporting Worksheet filing requirements, the Administrator may refund any overpayments made by the contributor, less any fees, interest, or costs.

Lawrence M. Brenton
Early, Lennon, Crocker & Bartosiewicz, P.L.C.
May 22, 2003
Page 4

If you disagree with USAC's response to your Appeal, you may file an appeal with the Federal Communications Commission (FCC) within 60 days of the date of this letter. The FCC address where you may direct your appeal is

Federal Communications Commission
Office of the Secretary
445 12th Street, SW, Room TW-A325
Washington, DC 20554

Sincerely,

USAC

Universal Service Administrative Company

cc Amita Cheng, FCC Common Carrier Bureau
James Shook, FCC Enforcement Bureau

EXHIBIT B

USAC Letter Dated September 12, 2001